

Message Text

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PAGE 01 BOGOTA 11177 201419Z

46

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 AGR-10 FEAE-00 INT-05

FPC-01 NSC-05 SS-15 STR-04 CEA-01 H-02 DODE-00 PA-02

USIA-15 PRS-01 /113 W

----- 124706

R 192146Z DEC 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 6230

INFO AMCONSUL CALI

AMCONSUL MEDELLIN

UNCLAS BOGOTA 11177

E O 11652 NA

TAGS EFIN, ECON, CO

SUBJ: GOC FINANCE MINISTER DENIES ECONOMIC RECESSION

REF BOGOTA 9973

1. FINMIN RODRIGO BOTERO IN COMMENTS TO PRESS DEC 18 INSISTED THAT COLOMBIA HAS NOT ENTERED A RECESSION AND WILL SHOW GOOD GROWTH RATES FOR 74. HE DEFENDED GOC FAILURE TO DEVELOP NEW PROGRAMS ON GROUNDS THAT FIRST PRIORITY WAS TO REMEDY FISCAL PROBLEMS AND CONTROL INFLATION. BOTERO ALSO ANNOUNCED THAT NEW SHORT TERM FINANCIAL PAPER WILL BE ISSUED BY GOC TO BE TRADED IN STOCK MARKET.

2. BOTERO INDICATED THAT PRELIMINARY ESTIMATE RE REAL GROWTH IN GDP FOR 74 IS 6.1 PERCENT, LESS THAN 7.1 PERCENT RATE OF 73 BUT STILL QUITE FAVORABLE GIVEN WORLD ECONOMIC SITUATION. ESTIMATED GROWTH RATES FOR VARIOUS SECTORS, WITH 1973 RATES IN PARENTHESIS ARE AS FOLLS: INDUSTRY 7.2 (9.8) AGRICULTURE 5.6 (4.7); CONSTRUCTION 11.6 (12.6) ELECTRIC ENERGY 12.0 (13.9). HE ESTIMATED A TOTAL 74 COST OF LIVING INCREASE OF 25 PERCENT,
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PAGE 02 BOGOTA 11177 201419Z

A TOTAL DEVALUATION OF 14 PERCENT, A MONEY SUPPLY EXPANSION OF

20 PERCENT AND AN INCREASE IN CURRENT REVENUES OF ABOUT 30 PERCENT. ONLY STATISTIC ABOVE WHICH WAS SOMEWHAT SURPRISING WAS EXPANSION IN MONEY SUPPLY. HOWEVER, DURING PAST MONTH OC HAS MOVED LARGE SUPPLY OF FUNDS TO PAY OUTSTANDING BILLS. OVER 1.2 BILLION PESOS OF THESE FUNDS WERE FROM EMERGENCY BOND ISSUES FINANCED OUT OF COMMERCIAL BANK RESERVE REQUIREMENTS. AS OF DEC 7, MONEY SUPPLY HAD INCREASED ALMOST 5 PERCENT IN PREVIOUS TWO WEEKS TO 13.8 PERCENT, SO 20 PERCENT FIGURE DOES NOT APPEAR UNREASONABLE.

8. WHEN QUESTIONED RE REPORTS OF REDUCTION IN SALES, BOTERO MAINTAINED THAT FINAL DATA FOR YEAR WOULD SHOW SUCH REPORTS UNFOUNDED BUT CONCEDED SOME SECTORS HAD BEEN AFFECTED. NATIONAL COMMERCE FEDERATION AT SAME TIME WAS MAINTAINING 15 PERCENT DECREASE IN SALES VOLUME FOR YEAR. BOTERO ALSO PROMISED THAT THE COST OF LIVING INCREASE IN 75 WOULD BE BELOW 20 PERCENT. HE INDICATED THAT NEW OFFICIAL SHORT TERM PAPER WITH HIGH RETURN WOULD SOON BE ISSUED FOR TRADE IN STOCK MARKET. THIS PAPER, PRESUMABLY DIFFERENT FROM PRESENT EMERGENCY BOND EMISSION, WOULD HELP REDUCE IMPACT OF REDUCED TRADING IN EXPORT TAX CREDIT (CAT) CERTIFICATES WHICH ACCOUNTED FOR OVER 60 PERCENT OF 74 MARKET VOLUME. VAKY

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